

PACIFIC GAS AND ELECTRIC COMPANY

PLAN OF REORGANIZATION

- PROPOSED BY THE COMMISSION -

Dollars in \$Millions

SCHEDULE 1

SOURCES OF FUNDS

	Total
<u>Cash Available to Pay Creditors</u>	
Cash at Emergence @ January 31, 2003	\$ 3,582
Cash from Sale of New Notes	3,860
Cash from Sale of Equity	<u>1,750</u>
Total	9,192
Reinstated Debt and Interests	4,289
Total Sources of Funds	\$ 13,481

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SCHEDULE 2

USES OF FUNDS									
	(1) Claims	Adj.	Paid in Normal Course	(1) Net Claims	Cash On Hand	Cash from New Notes	Cash from Equity Sale	Reinstated Debt & Interests	Total
<u>Class 1 & 2</u>									
Administrative & Priority	\$ 1,300	\$ -	\$ (243)	\$ 1,057	\$ 1,057	\$ -	\$ -	\$ -	\$ 1,057
Professional Fees & Reimbursement				-					-
Priority Tax Claims	54	-	-	54	54	-	-	-	54
Subtotal	1,354	-	(243)	1,111	1,111	-	-	-	1,111
<u>Class 3: First / Refunded Mortgage Bonds (2)</u>	2,976	(277)	-	2,699	-	-	-	2,699	2,699
<u>Class 4</u>									
(a) Mortgage-Backed PC Bonds	345	-	-	345	-	-	-	345	345
(b) MBIA Insured PC Bonds	201	-	-	201	-	-	-	201	201
(c) MBIA Claims				-					-
(d) Letter of Credit Backed PC Bond Claims	614	-	-	614	-	-	-	614	614
(e) Letter of Credit Bank Claims				-					-
(f) Prior Bond Claims	450	-	-	450	450	-	-	-	450
(g) Treasury PC Bond Claims	80	(80)	-	-	-	-	-	-	-
Subtotal	1,690	(80)	-	1,610	450	-	-	1,160	1,610
<u>Class 5: General Unsecured Claims</u>	4,570	-	-	4,570	566	2,684	1,320	-	4,570
<u>Class 6: ISO, PX, Generator Claims</u>	1,070	-	-	1,070	132	629	309	-	1,070
<u>Class 7: ESP Claims</u>	420	-	-	420	52	247	121	-	420
<u>Class 8: Environmental Claims</u>	350	-	(350)	-	-	-	-	-	-
<u>Class 9: Chromium Claims</u>	160	-	(160)	-	-	-	-	-	-
<u>Class 10: Convenience Claims</u>	60	-	-	60	60	-	-	-	60
<u>Class 11: QUIDS Claims</u>	300	-	-	300	-	300	-	-	300
<u>Class 12: Workers' Compensation Claims</u>	165	-	(165)	-	-	-	-	-	-
<u>Class 13: Preferred Equity</u>	430	-	-	430	-	-	-	430	430
<u>Class 14: Common Equity</u>	-	-	-	-	-	-	-	-	-
Total Uses of Funds	13,545	(357)	(918)	12,270	2,371	3,860	1,750	4,289	12,270
Plus: Post-Petition Interest	-	1,011	-	1,011	1,011	-	-	-	1,011
Plus: Estimated Settlement Agreement Interest	-	200	-	200	200	-	-	-	200
Adj Total Uses of Funds	\$ 13,545	\$ 854	\$ (918)	\$ 13,481	\$ 3,582	\$ 3,860	\$ 1,750	\$ 4,289	\$ 13,481

Notes

- (1) Source: PG&E documents. Amounts include prepetition interest, if any.
(2) Net of \$330 million payment paid in March 2002 and \$277 million held by the Debtor in treasury. Source: PG&E disclosure statement.

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SCHEDULE 3

KEY FINANCIAL RATIOS TO ACHIEVE INVESTMENT GRADE RATING

Book Capitalization (1)	\$ 13,699
+ URG Asset Recovery / Adjustment to Book Value	1,301
Adjusted Rate Base	15,000
Target Total Debt	8,218
Target Leverage Ratio (Total Debt / Adj Rate Base)	54.79%
- Rate Reduction Bonds ("RRBs") (2)	-
- Maximum Availability on New Credit Facility (3)	(500)
Target Reinstated Debt and New Notes, Excluding RRBs	7,719
Reinstated Class 3 Claims	2,699
+ Reinstated Class 4 Claims	1,160
Total Reinstated Debt	3,859
+ New Notes	3,860
+ Maximum Availability on New Credit Facility (3)	500
Projected Debt (excluding RRBs)	\$ 8,218
Pro-Forma Leverage	54.79%

Notes:

(1) Source: PG&E disclosure statement.

(2) Rate reduction bonds not included in calculation of the Commission's target leverage ratio. Source: PG&E disclosure statement.

(3) Assumes PG&E is able to obtain a new credit facility post-emergence.